Report of the World Bank on the International Comparison Programme

I. Introduction

1. The present report provides the Commission with comprehensive information on the status of the implementation of the 2011 round of the International Comparison Programme (ICP), with specific emphasis on the status of survey implementation and an assessment of risks that could affect the overall results. The report has two main sections covering (a) governance, participation and financial status; and (b) status of implementation of the 2011 round and workplan.

II. Governance, participation and financial status

A. Governance meetings

2. To ensure that the work programme for the 2011 round proceeds as planned, meetings were organized by the various governance bodies and expert groups: the Executive Board; the Technical Advisory Group (TAG); the Purchasing Power Parity (PPP) Computation Task Force (CoTaF); the Validation Expert Group (VEG); and the Regional Coordinators.

3. The Executive Board held two meetings in 2011: its fourth meeting, on 20 February in New York, and its fifth meeting on 25 October in Washington, D.C. At those meetings, the Board reviewed the status of survey implementation and data validation and the risks faced by some countries in the first half of 2011. These meetings produced several major policy decisions. In particular, the Board:

(a) Approved the recommendations of the Technical Advisory Group on the global linking method to be applied in the current round;

(b) Requested that a sequence of tests be carried out to derive products' quantitative weights from the importance indicators submitted by countries;

(c) Insisted that the timing of the release of regional ICP results must conform to the global ICP timetable so as to ensure that effective interregional validation would be completed before the regional results were published;

(d) Endorsed the use of each country's published national accounts data in the compilation of purchasing power parities (PPPs);

(e) Endorsed the ICP data access principles.

4. The Technical Advisory Group held its fifth and sixth meetings in Washington, D.C., on 18 and 19 April and 3 and 4 October 2011, respectively, to discuss methodological issues pertaining to the compilation of gross domestic product (GDP) expenditures, the approach for linking regional results to global results, the validation of prices, measurement challenges specific to the construction sector, and the treatment of reference PPPs. The Advisory Group recommended adopting the Country Approach with Redistribution for linking regional PPPs to global PPPs and agreed that a Validation Expert Group should be formed to review

the prices and PPPs underlying the global computation so as to ensure consistency between the global and regional comparisons.

5. In conjunction with the Advisory Group meetings, two sessions of the Purchasing Power Parity Computation Task Force were held. The Task Force supports the Global Office by ensuring that the results of the ICP 2011 round at regional and global levels fully comply with Board-approved methodology and processes. The Task Force agreed that four groups of experts would undertake the computation of global PPPs in parallel, and that the computation would be documented so as to ensure that the results could be replicated.

6. The first meeting of the Validation Expert Group was held on 7 October 2011 in Washington, D.C. At that meeting, the Group discussed and agreed on the required data inputs, and the procedures, modality and timing of the validation work.

7. The ICP Regional Coordinators and representatives of the Organization for Economic Cooperation and Development (OECD)-Eurostat Purchasing Power Parity (PPP) Programme met twice in Washington, D.C.: on 20 and 21 April and 5 and 6 October 2011. They discussed the status of implementation and the existing and possible risks faced by some countries, and agreed on the workplan for ICP field and desk activities related to collection and submission of data.

B. Country participation and risks

8. The number of participating economies has grown to 197 in the current ICP round, up from 146 in the 2005 round. This round covers 98 per cent of the world's population. Participation in all regions has increased, with 50 countries in Africa; 23 in the Asia and Pacific region; 10 in the Commonwealth of Independent States (CIS); 17 in Latin America; 12 in Western Asia; 21 in the Caribbean; 18 in the Pacific islands group; 3 singleton countries; and 47 in the OECD-Eurostat PPP Programme, including 4 countries participating in two different regional programmes.

9. However, political and administrative, funding, and data quality risks may result in the deviation of countries from their original planning schedules or their non-participation in the round.

Political and administrative country risks

Africa

10. Eritrea has formally withdrawn from the ICP 2011 round. All statistical activities have been suspended in Libya, which, most likely, will not be able to participate fully in the programme owing to the political situation. The participation of Angola in the Programme is uncertain, since there has been limited or no contact with country authorities. However, efforts are being made to bring them on board through the Southern African Development Community (SADC) during the remaining month of the ICP round. Equatorial Guinea has yet to launch the household consumption price survey at the national level. The fact that the Sudan was divided in July into two countries (North and South) after the ICP 2011 round had already started is likely to result in a computational challenge. Further, there are

no plans for South Sudan to participate in the ICP round, although it will be allowed to participate in ICP workshops.

Asia-Pacific

11. Bangladesh deferred the collection of price data for household products to the second quarter of 2011 owing to the involvement of the Bangladesh Bureau of Statistics in the conduct of the population census. Brunei Darussalam, Nepal and Pakistan conducted price data collection during the first quarter but, like Bangladesh, were unable to submit those data in time for the regional workshop as a result of their statistical agencies' involvement in conducting the population censuses. It is also possible that Sri Lanka and Pakistan will experience a slight delay in the second half of 2011 for the same reason.

CIS

12. In general, no risks have been identified that would affect ICP-related activities. At the beginning of this year, Uzbekistan planned collection of price data in 14 cities on a monthly basis. To date, Uzbekistan has not provided any additional information about ICP-related activities.

Latin America

13. Argentina has withdrawn from the Programme and some countries are facing internal difficulties which could delay the conduct of ICP-related activities or limit quality in respect of data collection and the corresponding metadata. The Economic Commission for Latin America and the Caribbean (ECLAC) is monitoring this situation closely.

Western Asia

14. Some countries in the region are experiencing socio-political risks which could affect their ICP-related activities. Lebanon has officially withdrawn from the programme and the Syrian Arab Republic may also withdraw. Bahrain is facing administrative risks and it is possible that it will not provide price data for all GDP components.

Funding risks

15. Some African countries are experiencing financial problems in implementing ICP round activities, largely owing to delays in justifying earlier disbursements, as required by the African Development Bank. Many Caribbean islands may require additional funding in order to meet the requirements for ICP participation. Four countries of Western Asia — Iraq, Jordan, Palestine and Yemen — have also requested additional funding support. The Economic and Social Commission for Western Asia (ESCWA) and the World Bank are exploring options for ensuring that ICP activities for those countries are sufficiently funded.

Data quality risks

16. There are two categories of data quality risks: survey framework compliance risks and validation and computation testing risks.

17. A review of the status of survey implementation in the first quarter shows that, from a regional or programme perspective, the number of countries collecting prices varies from month to month in many regions. From the country perspective, the fact that some countries are not consistently adhering to the terms of their initial survey frameworks, has led to differences in survey coverage from month to month. This could result in complications in respect of computing national annual price averages in countries, which would thus weaken price comparability across countries.

18. Delays in the submission of data by National Coordinators to their Regional Coordinators and, in turn, by Regional Coordinators to the Global Office are delaying the global core data validation. The Global Office expected to receive validated first-quarter data during the third quarter of 2011 but submissions have been delayed until 31 December 2011. Therefore, the validation of global core data will be delayed by at least three months. Moreover, the Global Office will not be able to start the experimental computations and testing of the 2011 global linking method until June 2012 when data from all regions and OECD-Eurostat are expected to be received.

C. Financial status and fund-raising activities

19. As reported in February 2011, the total budget for the ICP 2011 round (including regional programme budgets) is about 37.0 million United States dollars, of which a sum in the amount of 14.5 million dollars is managed by the Global Office.

20. The 2011 ICP Multi-Donor Trust Fund, established in 2010, has received contributions from the International Monetary Fund (IMF), the Department for International Development of the Government of the United Kingdom of Great Britain and Northern Ireland, the Ministry of Foreign Affairs of Norway and the Australian Agency for International Development (AusAID). The Multi-Donor Trust Fund provides resources to cover global activities (for example, development of tools and methodologies) and governance costs of the Technical Advisory Group and the Executive Board; the Fund also provides grants in support of regional programmes where budget gaps exist, for example, in Latin America and the Caribbean, CIS, Western Asia and, most recently, Asia and the Pacific. The World Bank also makes significant financial contributions to this programme from its administrative budget.

21. However, as mentioned above in paragraph 15 on funding risks, a budget gap remains for some regional programmes, as existing budget flexibility is not sufficient to meet rising costs. Budget shortfalls may amount to $1 million. Thus, additional fund-raising may be needed at the regional level.

III. Status of implementation of the 2011 round and workplan

22. The present section provides a brief survey of field and desk activities carried out at global, regional and country levels.

A. Collection of price data: main survey

23. According to the information provided in October 2011 by ICP regions and the OECD-Eurostat Programme, 155 countries had started a survey in the first or second quarter of 2011, out of the 197 countries initially identified as Programme participants.

24. In regard to first-quarter activity, regional reports indicate that 87 countries had submitted survey results out of the 102 that conducted price surveys during the quarter (excluding OECD-Eurostat countries). A regional breakdown of the number of countries that submitted data relative to the number of countries that had undertaken surveys is as follows: 44 out of 44 in Africa; 20 out of 22 in Asia and the Pacific; 17 out of 17 in Latin America; 5 out of 7 in Western Asia; and 0 out of 9 in CIS (excluding the Russian Federation, which also participates under the OECD-Eurostat Programme). Georgia, as a singleton country, also submitted its first-quarter data. In terms of intracountry survey coverage, 56 countries out of 102 indicated that they had conducted nationwide surveys in the first quarter, while the rest reported having carried out surveys only in urban areas or in capital cities.

25. ECLAC, as planned, submitted first-quarter data for participating Latin American countries to the Global Office. The Global Office is expected to receive regionally validated first-quarter and second-quarter data from the remaining ICP regions by 31 December 2011.

B. Other surveys

26. Guidelines, survey questionnaires and operational materials for technically challenging areas of the ICP programme (that is, those involving fast-evolving technology products, housing, water tariffs, private health, private education, compensation of government employees, construction and civil engineering, and machinery and equipment) were prepared by the Global Office and circulated to Regional Coordinators. The corresponding surveys have started in some countries and should be completed by the end of the first quarter of 2012.

C. National accounts-related activities

27. The Global Office prepared an Excel-based template of the Model Report on Expenditure Statistics to assist participating countries in compiling detailed expenditures for each basic heading of the ICP classification, documenting the splitting approach used and the underlying metadata, and providing the indicators used to estimate the expenditure values for a benchmark year (the latest year for which required data is available) and for reference year 2011.

28. All ICP regions have already provided their GDP aggregates for the latest available year, while disaggregated data for the 155 basic headings of the ICP classification are expected by 31 December 2011.

D. Capacity-building activities

ICP Book on Measuring the Size of the World Economy

29. The ICP Book on Measuring the Size of the World Economy presents the methodology available for international comparisons, the choices made for the ICP 2005 round, the outcome of those choices, and the steps to be taken to improve the quality of the data for the ICP 2011 round. To ensure the transparency of the estimation process, the ICP Book examines in depth the underlying theory, the methods used and the problems encountered. The Book also offers a forward-looking perspective on the methodology-related steps that can or will be taken to improve estimates in future ICP rounds.

30. Nineteen of the Book's 24 chapters, along with the foreword and executive summary, are currently available on the ICP website. Drafting of the remaining five chapters is under way, with many authors revising their work so that it reflects relevant decisions taken by the Technical Advisory Group or so that it accommodates the outcome of additional data analysis or research. The complete electronic version will be ready by March 2012.

Operational Guide

31. The Global Office is preparing an ICP Operational Guide which will provide practical guidelines and descriptive illustrations of methodologies. This work compiles existing operational materials and instructions which can improve the practitioner's understanding of recommended methodologies.

32. The Operational Guide will bring together all the operational materials developed by the Global Office and will ensure that the guidelines are clearly articulated and accompanied by examples that are hands-on in nature and reflect a comprehensive, in-depth approach.

ICP e-learning course

33. The Global Office is preparing an ICP e-learning course which will provide trainees with an up-to-date understanding of the ICP 2011 round so as to ensure that the results of the round are properly interpreted and utilized. The ICP e-learning course is designed to cover the broad topics that are the focus of ICP activities, including: the ICP framework, national accounts and the ICP, the price survey framework, comparison-resistant areas, data validation, PPP calculation and ICP software.

E. Outreach activities

34. As part of its ICP outreach activities, the Global Office continues to update the ICP website, is developing an ICP portal and publishes a monthly update newsletter. The ICP website provides comprehensive and regularly updated information related

to the implementation of the Programme while the portal would constitute both an online gateway to all ICP data and metadata, including global and regional results, and a resource centre which will cover all ICP papers and publications.

F. Data access

35. A paper entitled "2011 ICP data access and archiving policy: guiding principles and procedures for data access" has been prepared, with a view to improving access to more detailed data while respecting confidentiality constraints and data quality limitations. The proposed principles were endorsed by the ICP Executive Board.

G. Overall workplan

36. In spite of delays in data submission, the overall workplan remains effectively on schedule and the final results are expected to be released in December 2013 as originally planned.